

CITY OF LINDSAY

AUDITED BASIC FINANCIAL STATEMENTS

JUNE 30, 2009

CITY OF LINDSAY

BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the City Council
Lindsay, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lindsay, California, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Lindsay, California, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lindsay, California, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated September 8, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the City Council
Lindsay, California
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lindsay, California basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Pressley & Associates, Inc.

Accountancy Corporation

Bakersfield, California
September 8, 2010

Management's Discussion and Analysis

As management of the City of Lindsay, we offer readers of the City of Lindsay's financial statement this narrative overview and analysis of the financial activities of the City of Lindsay for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the City of Lindsay exceeded its liabilities at the close of the most recent fiscal year by \$21,594 (*net assets*). Of this amount, there is a negative \$16,097 of *unrestricted net assets*.
- As of the close of the current fiscal year, the City of Lindsay governmental funds reported combined ending fund balances of \$5,431. All of this is available for *spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was a negative \$3,291.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Lindsay's basic financial statements. The City of Lindsay basic financial statement comprises three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Lindsay finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Lindsay's assets and liabilities, with the difference between the two reported as *net assets*.

Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Lindsay is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Lindsay that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all of a significant portion of their costs through user fees and charges (*business-type activities*).

The governmental activities of the City of Lindsay include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City of Lindsay include a Water and Sewer Authority.

The government-wide financial statements include not only the City of Lindsay itself (known as the *primary government*), but also a legally separate Redevelopment Agency. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The Water, Sewer, Refuse, and Animal Control Departments, functions for all practical purposes as departments of the City of Lindsay, and therefore has been included as an integral part of the primary government.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lindsay, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Lindsay can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and

changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Lindsay maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Gas Tax, Community development, RDA Capital Projects funds, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Lindsay adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The City of Lindsay maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Lindsay uses enterprise funds to account for its Water, Sewer, Refuse and Animal Control activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer, Refuse and Animal Control activities, all of which are considered to be major funds of the City of Lindsay, with the exception of the Animal Control Fund

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Lindsay's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Please see the table of contents for page numbers.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Lindsay's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found by referring to the index of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Lindsay's, assets exceeded liabilities by \$21,594 at the close of the most recent fiscal year.

Of the City of Lindsay's net assets (98 percent) reflects its investment in capital assets (e.g., land buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Lindsay uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Lindsay's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Lindsay's Net Assets
(amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 25,584	\$ 30,314	\$ 1,842	\$ 1,944	\$ 27,426	\$ 32,258
Capital assets	40,520	27,975	9,787	10,081	50,307	38,056
Total assets	66,104	58,289	11,629	12,025	77,733	70,314
Long-term liabilities	23,703	20,498	8,789	8,963	32,492	29,461
Other liabilities	20,807	20,416	1,129	1,052	21,936	21,468
Total liabilities	44,510	40,914	9,918	10,015	54,428	50,929
Net assets:						
Invested in capital assets, net of related debt	28,624	18,071	824	949	29,448	19,020
Restricted	9,067	11,163	-	-	9,067	11,163
Unrestricted	(16,097)	(11,859)	888	1,061	(15,209)	(10,798)
Total net assets	\$ 21,594	\$ 17,375	\$ 1,712	\$ 2,010	\$ 23,306	\$ 19,385

A portion of the City of Lindsay's net assets, \$9,067, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, a negative \$16,097, represents the governmental activities deficit of 16,097, combined with the business-type activities positive balance of \$888. At fiscal year-end, the City reported negative balances in the unrestricted categories of net assets, both for the government as a whole, as well as for the general fund and gas tax special revenue fund of its separate governmental activities. The other non-major governmental funds had a combined positive fund balance at year-end.

City of Lindsay's Changes in Net Assets
(amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Program Revenue:						
Charges for services	\$ 3,046	\$ 1,024	\$ 5,096	\$ 4,563	\$ 8,142	\$ 5,587
Operating grants and contributions	6,689	11,429	5	5	6,694	11,434
Capital grants and contributions	5,049	1,404	-	-	5,049	1,404
General Revenues						
Property taxes	434	1,434	-	-	434	1,434
Other taxes	2,410	1,518	-	-	2,410	1,518
Miscellaneous	1,719	32	2	9	1,721	41
Transfers	-	-	-	-	-	-
Total revenues	<u>19,347</u>	<u>16,841</u>	<u>5,103</u>	<u>4,577</u>	<u>24,450</u>	<u>21,418</u>
Expenses						
General government	5,807	2,782	-	-	5,807	2,782
Public safety	3,025	2,723	-	-	3,025	2,723
Highways and streets	951	1,039	-	-	951	1,039
Economic development	4,239	5,894	-	-	4,239	5,894
Interest on long-term debt	1,106	676	-	-	1,106	676
Water operating	-	-	1,922	1,716	1,922	1,716
Sewer operating	-	-	1,970	1,610	1,970	1,610
Refuse operating	-	-	1,191	950	1,191	950
Animal control	-	-	318	362	318	362
Total expenses	<u>15,128</u>	<u>13,114</u>	<u>5,401</u>	<u>4,638</u>	<u>20,529</u>	<u>17,752</u>
Changes in net assets	<u>4,219</u>	<u>3,727</u>	<u>(298)</u>	<u>(61)</u>	<u>3,921</u>	<u>3,666</u>
Net assets - beginning	<u>17,375</u>	<u>15,173</u>	<u>2,010</u>	<u>2,071</u>	<u>19,385</u>	<u>17,244</u>
Prior period adjustments	-	(1,525)	-	-	-	(1,525)
Net assets - beginning restated	<u>17,375</u>	<u>13,648</u>	<u>2,010</u>	<u>2,071</u>	<u>19,385</u>	<u>15,719</u>
Net assets - ending	<u>\$ 21,594</u>	<u>\$ 17,375</u>	<u>\$ 1,712</u>	<u>\$ 2,010</u>	<u>\$ 23,306</u>	<u>\$ 19,385</u>

Governmental activities. Governmental activities increased the City of Lindsay's net assets by \$4,219.

Business-type activities. Business-type activities decreased the City of Lindsay's net assets by \$298.

Financial Analysis of the Government's Funds

As noted earlier, the City of Lindsay uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements

Governmental funds. The focus of the City of Lindsay's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Lindsay's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the end of the current fiscal year, the City of Lindsay's governmental funds reported combined ending fund balances of \$5,431. The unreserved fund balance, which is available for spending at the government's discretion, is a negative balance at this time. The general fund is the chief operating fund of the City of Lindsay. At the end of the current fiscal year, unreserved fund balance of the general fund is currently at a negative balance. It may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

The fund balance of the City of Lindsay's general fund decreased by \$2,122 during the current fiscal year. Key factors in this decrease are as follows:

- The general fund increased personnel in the public safety department.
- The general fund invested in McDermont Field House & Wellness Center capital assets.

Proprietary funds. The City of Lindsay's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water, Sewer, Refuse, and Animal Control activities at the end of the year amounted to \$888. The total decrease in net assets for all these funds was (\$298). Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Lindsay's business-type activities.

Capital Asset and Debt Administration

Capital assets. The City of Lindsay's investment in capital assets for its governmental and business type activities as of June 30, 2009, amounts to \$50,307 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Major capital asset events during the current fiscal year included the following:

- Construction in progress as of the end of the current fiscal year had reached \$35,950.
- A major capital investment for McDermont Field House – Sports Complex.

CITY OF LINDSAY'S Capital Assets
(net of depreciation)
(amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 173	\$ 173	\$ -	\$ -	\$ 173	\$ 173
Buildings and improvements	3,585	3,265	9,771	10,061	13,356	13,326
Machinery & equipment	812	1,029	16	20	828	1,049
Infrastructure	-	-	-	-	-	-
Construction in progress	35,950	23,508	-	-	35,950	23,508
Total	\$ 40,520	\$ 27,975	\$ 9,787	\$ 10,081	\$ 50,307	\$ 38,056

CITY OF LINDSAY'S Outstanding Debt
General Obligation and Revenue Bonds
(amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 5	\$ 5	\$ -	\$ -	\$ 5	\$ 5
Notes payable	8,546	4,597	8,963	9,132	17,509	13,729
Revenue bonds	15,774	16,171	-	-	15,774	16,171
Interest payable	728	389	-	-	728	389
Compensated absences	249	231	-	-	249	231
Total	\$ 25,302	\$ 21,393	\$ 8,963	\$ 9,132	\$ 34,265	\$ 30,525

Long-term debt. At the end of the current fiscal year, the City of Lindsay had total bonded debt outstanding of \$15,774. The City of Lindsay's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City of Lindsay does not maintain ratings from any of the services for general obligation debt. The General Obligation bond listed above is outstanding from an old issue that has not been claimed.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of Lindsay is \$34,400, which is significantly in excess of the City of Lindsay's outstanding general obligation debt.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Lindsay is currently 19 percent, which is an increase over previous years. The downturn in the national and state economy has caused this to increase.
- The opening of McDermont Field House is a focus for the City. All departments recognize the vital economic development role that McDermont will play in the City's future. Increasing revenues from this facility is a priority for the City.
- Property values have seen a decrease in the last twelve months. The sale of lots from the developments that have continued throughout the economic slowdown will increase tax revenues.
- The occupancy rate of the government's central business district has decreased to approximately 75 percent in the last year.
- The City has begun layoffs and furloughs to reduce expenses and increase available fund balances.

All of these factors were considered in preparing the City of Lindsay's budget for the 2010 fiscal year.

Water, Sewer and Refuse rates were increased for the 2010 budget year. The rates affected both residential and industrial consumers by approximately the same percentage.

Requests for Information

This financial report is designed to provide a general overview of the City of Lindsay's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, P. O. Box 369, City of Lindsay, CA. 93247.

BASIC FINANCIAL STATEMENTS

City of Lindsay
Statement of Net Assets
June 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 498,407	\$ 194,088	\$ 692,495
Accounts receivable, net	529,161	630,183	1,159,344
Intergovernmental receivables	2,082,508	41,887	2,124,395
Interest receivables	2,938	268	3,206
Internal balances	(972,895)	972,895	-
Investments in property	4,693,102	-	4,693,102
Inventory	-	3,113	3,113
Restricted assets:			
Cash/fiscal agent	1,130,979	-	1,130,979
Interest receivable	38	-	38
Notes receivable	16,889,789	-	16,889,789
Deferred bond issuance charges, net of amortization	730,361	-	730,361
Capital assets - land, construction in progress	36,121,928	-	36,121,928
Capital assets - other, net of accumulated depreciation	4,398,080	9,787,030	14,185,110
Total assets	<u>66,104,396</u>	<u>11,629,464</u>	<u>77,733,860</u>
LIABILITIES			
Accounts and other payables	2,130,934	809,317	2,940,251
Unearned revenue	16,911,505	-	16,911,505
Accrued interest payable	727,760	145,166	872,926
Notes payable	165,224	-	165,224
Non-current liabilities:			
Due within one year	871,033	174,460	1,045,493
Due in more than one year	23,703,459	8,788,629	32,492,088
Total liabilities	<u>44,509,915</u>	<u>9,917,572</u>	<u>54,427,487</u>
NET ASSETS			
Invested in capital assets, net of related debt	28,624,509	823,941	29,448,450
Restricted for community development & redevelopment	9,067,041	-	9,067,041
Unrestricted	(16,097,069)	887,951	(15,209,118)
Total net assets	<u>\$ 21,594,481</u>	<u>\$ 1,711,892</u>	<u>\$ 23,306,373</u>

The notes to the financial statements are an integral part of this statement.

City of Lindsay
Statement of Activities
For the Fiscal Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 5,807,451	\$ 3,027,650	\$ 1,014,218	\$ 2,020,000	\$ 254,417	\$ -	\$ 254,417
Public Safety	3,024,565	18,464	128,182	-	(2,877,919)	-	(2,877,919)
Highways and streets	950,564	-	2,018,469	3,028,821	4,096,726	-	4,096,726
Economic development	4,238,762	-	3,527,654	-	(711,108)	-	(711,108)
Interest on long-term debt	1,105,707	-	-	-	(1,105,707)	-	(1,105,707)
Total governmental activities	<u>15,127,049</u>	<u>3,046,114</u>	<u>6,688,523</u>	<u>5,048,821</u>	<u>(343,591)</u>	<u>-</u>	<u>(343,591)</u>
Business-type Activities:							
Water operating	1,922,472	1,925,865	-	-	-	3,393	3,393
Sewer operating	1,969,600	1,824,088	-	-	-	(145,512)	(145,512)
Refuse operating	1,190,806	1,213,551	5,000	-	-	27,745	27,745
Animal Control	317,643	131,997	-	-	-	(185,646)	(185,646)
Total business-type activities	<u>5,400,521</u>	<u>5,095,501</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>(300,020)</u>	<u>(300,020)</u>
Total primary government	<u>\$ 20,527,570</u>	<u>\$ 8,141,615</u>	<u>\$ 6,693,523</u>	<u>\$ 5,048,821</u>	<u>(343,591)</u>	<u>(300,020)</u>	<u>(643,611)</u>
			General revenues:				
			Property taxes		434,426	-	434,426
			Sales tax		432,324	-	432,324
			Utility users tax		915,560	-	915,560
			Franchise tax		107,248	-	107,248
			Transient occupancy tax		42,734	-	42,734
			Motor vehicle in-lieu		903,680	-	903,680
			Other taxes		8,483	-	8,483
			Sale of land		1,710,000	-	1,710,000
			Unrestricted investment earnings		8,583	2,052	10,635
			Total general revenues		<u>4,563,038</u>	<u>2,052</u>	<u>4,565,090</u>
			Change in net assets		<u>4,219,447</u>	<u>(297,968)</u>	<u>3,921,479</u>
			Net assets - beginning		<u>17,375,034</u>	<u>2,009,860</u>	<u>19,384,894</u>
			Net assets - ending		<u>\$ 21,594,481</u>	<u>\$ 1,711,892</u>	<u>\$ 23,306,373</u>

The notes to the financial statements are an integral part of this statement.

**City of Lindsay
Balance Sheet
Governmental Funds
June 30, 2009**

	General	Gas Tax	Community Development	RDA Capital Projects	Other Governmental Funds (non-major)	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ -	\$ 69,471	\$ -	\$ 303,360	\$ 48,253	\$ 421,084
Accounts receivable - net	479,282	49,734	-	-	145	529,161
Interest receivable	356	21	-	2,234	234	2,845
Due from other funds	-	-	1,627,009	-	3,516,903	5,143,912
Due from other governments	482,107	1,327,610	261,922	10,869	-	2,082,508
Notes receivable	-	-	16,877,275	-	12,514	16,889,789
Investment in property	564,258	-	104,799	4,024,045	-	4,693,102
Restricted - cash/fiscal agent	12,292	-	-	894,950	223,737	1,130,979
Restricted - due from other funds	-	-	-	-	-	-
Restricted - interest receivable	38	-	-	-	-	38
Total assets	\$ 1,538,333	\$ 1,446,836	\$ 18,871,005	\$ 5,235,458	\$ 3,801,786	\$ 30,893,418
Liabilities						
Accounts and other payables	\$ 819,532	\$ 316,165	\$ 68,433	\$ 70,153	\$ 41,453	\$ 1,315,736
Accrued wages	626,871	36,221	20,817	20,120	-	704,029
Due to other funds	3,371,942	1,604,390	-	1,341,604	-	6,317,936
Deferred revenue	6,553	-	16,877,320	-	27,632	16,911,505
Refundable deposits	4,560	-	43,319	-	-	47,879
Notes payable	-	-	-	165,224	-	165,224
Total liabilities	4,829,458	1,956,776	17,009,889	1,597,101	69,085	25,462,309
Fund balances:						
Reserved for:						
Community development	-	-	1,861,116	-	3,567,568	5,428,684
Redevelopment	-	-	-	3,638,357	-	3,638,357
Unreserved, reported in						
General fund	(3,291,125)	-	-	-	-	(3,291,125)
Special revenue funds	-	(509,940)	-	-	2,525	(507,415)
Capital projects	-	-	-	-	162,608	162,608
Total fund balances	(3,291,125)	(509,940)	1,861,116	3,638,357	3,732,701	5,431,109
Total liabilities and fund balances	\$ 1,538,333	\$ 1,446,836	\$ 18,871,005	\$ 5,235,458	\$ 3,801,786	\$ 30,893,418

The notes to the financial statements are an integral part of this statement

City of Lindsay
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2009

Fund balances of governmental funds	\$ 5,431,109
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	40,520,008
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	215,255
Long-term liabilities, including accrued interest on bonds, and compensated absences are not due and payable in the current period and therefore are not reported in the governmental fund activity.	(24,102,465)
Add: Deferred charge for issuance costs (to be amortized over life of debt)	730,361
Less: Compensated absences	(248,499)
Less: Accrued interest payable on long-term debt	(727,760)
Less: Issuance premiums/discounts (to be amortized as interest expense)	(223,528)
Net assets of governmental activities	\$ 21,594,481

The notes to the financial statements are an integral part of this statement.

City of Lindsay
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Gas Tax	Community Development	RDA Capital Projects	Other Governmental Funds (non-major)	Total Governmental Funds
REVENUES						
Note collections	\$ -	\$ -	\$ 595,333	\$ -	\$ 7,672	\$ 603,005
Property taxes	434,426	-	-	1,084,098	324,701	1,843,225
Other taxes	2,366,631	-	-	-	-	2,366,631
Licenses and permits	206,696	-	-	-	-	206,696
Intergovernmental	4,352,927	3,933,119	1,379,649	-	-	9,665,695
Charges for services	2,597,768	-	-	-	-	2,597,768
Fees and fines	17,101	-	-	-	-	17,101
Interest revenue	8,504	78	53,691	33,640	4,100	100,013
Other revenue	191,198	393	41,951	2,819	-	236,361
Total revenues	<u>10,175,251</u>	<u>3,933,590</u>	<u>2,070,624</u>	<u>1,120,557</u>	<u>336,473</u>	<u>17,636,495</u>
EXPENDITURES						
Current:						
General government	544,351	-	-	-	-	544,351
Public safety	2,837,982	-	-	-	-	2,837,982
Parks and recreation	3,447,942	-	-	-	-	3,447,942
Public works	473,671	-	-	-	-	473,671
Streets & transportation	166,502	463,780	-	-	-	630,282
Community development	-	-	1,536,030	347,963	16,361	1,900,354
Debt service:						
Principal	29,756	-	-	312,000	78,000	419,756
Interest and administrative charges	19,377	-	-	585,806	148,429	753,612
Capital outlay	6,256,592	5,141,703	2,937,472	1,364,139	10,301	15,710,207
Total expenditures	<u>13,776,173</u>	<u>5,605,483</u>	<u>4,473,502</u>	<u>2,609,908</u>	<u>253,091</u>	<u>26,718,157</u>
Excess (deficiency) of revenues over expenditures	<u>(3,600,922)</u>	<u>(1,671,893)</u>	<u>(2,402,878)</u>	<u>(1,489,351)</u>	<u>83,382</u>	<u>(9,081,662)</u>
OTHER FINANCING SOURCES (USES)						
Loans proceeds	671,150	1,599,539	-	1,710,000	-	3,980,689
Sale of land	1,710,000	-	-	-	-	1,710,000
Bad debt expense	(902,318)	-	-	-	(8,497)	(910,815)
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>1,478,832</u>	<u>1,599,539</u>	<u>-</u>	<u>1,710,000</u>	<u>(8,497)</u>	<u>4,779,874</u>
Net change in fund balance	<u>(2,122,090)</u>	<u>(72,354)</u>	<u>(2,402,878)</u>	<u>220,649</u>	<u>74,885</u>	<u>(4,301,788)</u>
Fund balances -- beginning	<u>(1,169,035)</u>	<u>(437,586)</u>	<u>4,263,994</u>	<u>3,417,708</u>	<u>3,657,816</u>	<u>9,732,897</u>
Fund balances -- ending	<u>\$ (3,291,125)</u>	<u>\$ (509,940)</u>	<u>\$ 1,861,116</u>	<u>\$ 3,638,357</u>	<u>\$ 3,732,701</u>	<u>\$ 5,431,109</u>

The notes to the financial statements are an integral part of this statement.

City of Lindsay
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2009

Net change in fund balances --total governmental funds	\$	(4,301,788)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:		
Capital outlay are reported as expenditures in governmental funds. However in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay(\$12,985,000) exceeded depreciation (\$439,673) in the current period.		12,545,327
Governmental funds report loan proceeds as other financing sources/uses. While loan proceeds provide current financial resources to governmental funds, the transaction has no effect on net assets and therefore is not reported in government-wide presentation.		(3,980,689)
Repayment of long-term debt is reported as an expenditure in governmental funds. In the statement of net assets, the repayment reduces long-term liabilities:		
Bond principal		390,000
Note principal		29,756
Accrued interest on long-term debt reported in the statement of activities are not reported as expenditures in governmental funds.		(338,388)
Long-term compensated absences reported in the statement of activities are not reported as expenditures in governmental funds.		(17,782)
Annual amortization of bond issuance costs reported in government-wide presentation		(21,419)
Annual amortization of bond premiums reported in government-wide presentation		7,712
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.		(93,282)
Change in net assets of governmental activities	\$	4,219,447

The notes to the financial statements are an integral part of this statement.

City of Lindsay
Statement of Net Assets
Proprietary Funds
June 30, 2009

Business-Type Activities - Enterprise Funds

	Water	Sewer	Refuse	Animal Control (nonmajor)	Total Proprietary Funds	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 48,026	\$ 113,322	\$ 8,451	\$ 24,289	\$ 194,088	\$ 77,323
Accounts receivable, net	254,992	232,599	142,592	-	630,183	-
Interest receivable	-	198	70	-	268	93
Due from other funds	665,678	1,129,104	236,066	-	2,030,848	201,129
Due from other governments	41,887	-	-	-	41,887	-
Inventory	-	-	-	3,113	3,113	-
Total current assets:	<u>1,010,583</u>	<u>1,475,223</u>	<u>387,179</u>	<u>27,402</u>	<u>2,900,387</u>	<u>278,545</u>
Noncurrent assets:						
Capital assets:						
Distribution and collection systems	4,299,576	-	-	-	4,299,576	-
Buildings and equipment	-	7,605,494	30,334	151,888	7,787,716	-
Less accumulated depreciation	(822,730)	(1,300,264)	(26,046)	(151,222)	(2,300,262)	-
Total noncurrent assets:	<u>3,476,846</u>	<u>6,305,230</u>	<u>4,288</u>	<u>666</u>	<u>9,787,030</u>	<u>-</u>
Total assets	<u>4,487,429</u>	<u>7,780,453</u>	<u>391,467</u>	<u>28,068</u>	<u>12,687,417</u>	<u>278,545</u>
LIABILITIES AND FUND BALANCES						
Current liabilities:						
Accounts and other payables	75,577	21,119	67,874	13,920	178,490	63,290
Accrued wages	18,051	17,169	2,199	9,597	47,016	-
Accrued interest	25,906	119,260	-	-	145,166	-
Compensated absences payable	39,910	37,348	1,500	-	78,758	-
Due to other funds	-	-	-	1,057,953	1,057,953	-
Refundable deposits	78,239	394,619	-	32,195	505,053	-
Long-term debt-current portion	48,403	126,057	-	-	174,460	-
Deferred revenue	-	-	-	-	-	-
Total current liabilities:	<u>286,086</u>	<u>715,572</u>	<u>71,573</u>	<u>1,113,665</u>	<u>2,186,896</u>	<u>63,290</u>
Non current liabilities:						
Long-term debt	2,207,317	6,581,312	-	-	8,788,629	-
Total non current liabilities:	<u>2,207,317</u>	<u>6,581,312</u>	<u>-</u>	<u>-</u>	<u>8,788,629</u>	<u>-</u>
Total liabilities	<u>2,493,403</u>	<u>7,296,884</u>	<u>71,573</u>	<u>1,113,665</u>	<u>10,975,525</u>	<u>63,290</u>
NET ASSETS						
Invested in capital assets, net of related debt	1,221,126	(402,139)	4,288	666	823,941	-
Unrestricted	772,900	885,708	315,606	(1,086,263)	887,951	215,255
Total net assets	<u>\$ 1,994,026</u>	<u>\$ 483,569</u>	<u>\$ 319,894</u>	<u>\$ (1,085,597)</u>	<u>\$ 1,711,892</u>	<u>\$ 215,255</u>

The notes to the financial statements are an integral part of this statement.

City of Lindsay
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Refuse	Animal Control (nonmajor)	Total Proprietary Funds	Internal Service Funds
Operating revenues:						
Service fees	\$ 1,925,865	\$ 1,824,088	\$ 1,213,551	\$ 131,997	\$ 5,095,501	\$ 673,666
Total operating	1,925,865	1,824,088	1,213,551	131,997	5,095,501	673,666
Operating expenses:						
Salaries	303,926	290,942	43,040	109,749	747,657	-
Benefits	166,464	159,385	21,325	59,064	406,238	769,132
Material, service & supply	1,280,256	857,690	1,126,091	146,830	3,410,867	-
Depreciation	106,070	185,720	350	2,000	294,140	-
Total operating expenses	1,856,716	1,493,737	1,190,806	317,643	4,858,902	769,132
Operating income (loss)	69,149	330,351	22,745	(185,646)	236,599	(95,466)
Nonoperating revenues (expenses):						
Intergovernmental	-	-	5,000	-	5,000	-
Bad debt expense	-	(225,388)	-	-	(225,388)	-
Investment earnings	12	1,507	533	-	2,052	2,184
Interest expense	(65,756)	(250,475)	-	-	(316,231)	-
Total non operating revenue (expenses)	(65,744)	(474,356)	5,533	-	(534,567)	2,184
Change in net assets	3,405	(144,005)	28,278	(185,646)	(297,968)	(93,282)
Total net assets - beginning	1,990,621	627,574	291,616	(899,951)	2,009,860	308,537
Total net assets - ending	<u>\$ 1,994,026</u>	<u>\$ 483,569</u>	<u>\$ 319,894</u>	<u>\$ (1,085,597)</u>	<u>\$ 1,711,892</u>	<u>\$ 215,255</u>

The notes to the financial statements are an integral part of this statement.

City of Lindsay
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds					Internal Service Funds
	Water	Sewer	Refuse	Animal Control (nonmajor)	Total Proprietary Funds	
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash receipts from customer	\$ 1,830,945	\$ 2,101,506	\$ 1,192,281	\$ 166,413	\$ 5,291,145	\$ 673,666
Payments to employees	(458,723)	(440,334)	(64,672)	(166,829)	(1,130,558)	-
Payments to suppliers	(1,279,887)	(1,087,413)	(1,126,201)	(153,239)	(3,646,740)	(705,842)
Net cash provided by operating activities	<u>92,335</u>	<u>573,759</u>	<u>1,408</u>	<u>(153,655)</u>	<u>513,847</u>	<u>(32,176)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Intergovernmental	(41,887)	-	5,000	-	(36,887)	-
Transfers to/from other funds	(613,544)	(412,943)	(192,459)	169,886	(1,049,060)	(201,216)
Net cash (used) by noncapital financing	<u>(655,431)</u>	<u>(412,943)</u>	<u>(187,459)</u>	<u>169,886</u>	<u>(1,085,947)</u>	<u>(201,216)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Intergovernmental - capital contributed	-	-	-	-	-	-
Purchase of capital assets	-	-	-	-	-	-
Interest paid on long-term debt and advances	(79,500)	(252,690)	-	-	(332,190)	-
Principal payments on long-term debt	(47,128)	(122,026)	-	-	(169,154)	-
Net cash (used) by capital and related financing activities	<u>(126,628)</u>	<u>(374,716)</u>	<u>-</u>	<u>-</u>	<u>(501,344)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and rent received	12	1,846	1,368	-	3,226	3,308
Net cash provided by investing activities	<u>12</u>	<u>1,846</u>	<u>1,368</u>	<u>-</u>	<u>3,226</u>	<u>3,308</u>
Net increase (decrease) in cash and cash equivalents	(689,712)	(212,054)	(184,683)	16,231	(1,070,218)	(230,084)
Balances - beginning of year	<u>737,738</u>	<u>325,376</u>	<u>193,134</u>	<u>8,058</u>	<u>1,264,306</u>	<u>307,407</u>
Balances - end of the year	<u>\$ 48,026</u>	<u>\$ 113,322</u>	<u>\$ 8,451</u>	<u>\$ 24,289</u>	<u>\$ 194,088</u>	<u>\$ 77,323</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 69,149	\$ 104,963	\$ 22,745	\$ (185,646)	\$ 11,211	\$ (95,466)
Adjustments to reconcile operating income to net cash provided (used) by operating activities						
Depreciation and amortization	106,070	185,720	350	2,000	294,140	-
Changes in assets and liabilities:						
Deferred revenue	(52,667)	-	-	-	(52,667)	-
Refundable deposits	3,925	120,000	-	3,944	127,869	-
Accounts payable - supplier	369	(4,335)	(110)	(6,409)	(10,485)	63,290
Compensated absences	4,506	3,402	(1,189)	-	6,719	-
Customer receivables	(46,178)	157,418	(21,270)	30,472	120,442	-
Salaries & benefits payable	7,161	6,591	882	1,984	16,618	-
Net cash provided by operating activities	<u>\$ 92,335</u>	<u>\$ 573,759</u>	<u>\$ 1,408</u>	<u>\$ (153,655)</u>	<u>\$ 513,847</u>	<u>\$ (32,176)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting entity

The financial statements of the City of Lindsay (the City) are prepared in conformity with generally accepted accounting principles. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary Funds apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accompanying financial statements present the government and its component unit, entity for which the government is considered to be financially accountable. This component unit, although a legally separate entity, is, in substance, part of the government's operation. As such, this operation is "blended" with the City's. The more significant of the City's accounting policies are described below:

Blended component units. The Lindsay Redevelopment Agency was established during 1986-87 pursuant to the California Community Redevelopment Laws contained in Section 33000 Et. Seq. of Division 24 of the Health and Safety Code. The primary purpose of the Agency is to revitalize targeted areas of blight and deterioration within the city limits so as to eliminate or mitigate existing and potential physical, social, and economic liabilities in the interest of the health, safety, and welfare of all its citizens. A board consisting of the City's elected council governs the Agency.

The City and the Lindsay Redevelopment Agency (the Agency) have a financial and operational relationship which meets the reporting entity definitions criteria of GASB Statement No. 14, *The Financial Reporting Entity*, for inclusion of the Agency as a component unit of the City. Accordingly, the financial activities of the Agency have been included in the financial statements of the City.

Complete financial statements for the component unit may be obtained from the City of Lindsay Finance Department, 251 East Honolulu, Lindsay, CA 93247.

b) Government-wide and fund financial statements

The government-wide financial statements (e.g., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2009

separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include:

1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2009

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *gas tax funds* are used to account for financial resources to be used for the street maintenance operations and construction.

The *community development block grant fund* accounts for all financial transactions having to do with the Community Development Block Grant Program and First-time Homebuyers Program of the Federal Department of Housing and Urban Development for low-interest housing rehabilitation and mortgage assistance loans.

The *RDA capital project fund* account for the resources accumulated and payments made for principal and interest on long-term obligation and for the acquisition or construction of major capital projects of the Redevelopment Agency.

The City reports the following major proprietary funds:

The *water operations fund* accounts for the activities of the water distribution system.

The *sewer operations fund* accounts for the activities of the sewage pumping stations, treatment plant, and laboratory.

The *refuse fund* accounts for the activities of the refuse collection and recycling.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The exceptions to this general rule are the fleet management and the risk management charges to the enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include:

- 1) charges to customers or applicants for goods, services, or privileges provided;
- 2) operating grants and contributions; and
- 3) capital grants and contributions, including special assessments.

Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2009

and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City of Lindsay's policy to use restricted resources first, and then unrestricted resources, as they are needed.

d) Budgetary information

Annual Budgets are legally required to be and are adopted by the City Council for all funds and provide for operations, debt service and capital expenditures of the City. Budgetary accounting controls do not include the use of encumbrances.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to July 1, the budget is legally enacted through passage of an ordinance.
- The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgets for the Governmental Funds are presented in the accompanying general purpose financial statements on a basis consistent with generally accepted accounting principles.

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes. If appropriations from proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules or other refund arrangements. For the

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2009

fiscal year ended June 30, 2009, based upon calculations by City staff, appropriations from proceeds of taxes did not exceed the appropriations limit.

e) Restricted Assets

Restricted assets are the result of Urban Development Action Grants received in prior years that were allowed to remain in the City for additional revolving loans.

f) Cash and Investments

The City reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. City investment policy authorizes investment in the State of California Local Agency Investment Fund to a maximum of \$10,000,000, and certificate of deposit and U.S. Governmental Securities with maturities not exceeding five years.

California banks and savings and loan associations are required to secure a city's deposits by pledging government securities as collateral. The fair value of the pledged securities must equal at least 110 percent of a city's deposits. The City Treasurer, at his or her discretion, may waive the 110 percent collateral requirement for deposits that are insured up to \$250,000 by the FDIC. It is the City's policy to waive the collateral requirement in order to receive a higher interest yield on its deposits. It is also the City's policy not to deposit more than \$250,000 in a savings and loan association or a small bank.

California law allows financial institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150 percent of a city's total deposits. It is the City of Lindsay's policy not to accept this form of collateral.

g) Accounts Receivable

The Enterprise Funds use the reserve method of accounting for bad debts. Delinquent accounts that are closed have a lien placed upon the property.

h) Inventory and Prepaids

Governmental funds inventories are valued at average cost using the first-in/first-out (FIFO) method and are recorded as expenditures when consumed rather than when purchased. Business-type inventories are stated at cost using the FIFO method, and consist of expendable materials and supplies.

Any payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2009

Fund balance is reserved for inventories and prepaids, if any, to indicate that a portion of fund balance is not available for appropriation and not expendable, available financial resources.

Inventory in proprietary funds is comprised of supplies for resale and are slated at the lower of cost or market on a first-in, first-out basis.

i) Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects as constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
Public domain infrastructure	50
System infrastructure	30
Vehicles	5
Office equipment	5
Computer equipment	5

j) Compensated absences

Accumulated vested unpaid employee vacation and compensatory time-off benefits are recognized as liabilities of the City. Governmental funds recognize the current portion of the liabilities at year end, while the noncurrent portion of these liabilities is recognized in

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2009

the general long-term debt account group. Proprietary funds record the full liability as the vested benefits to the employees accrue.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as liabilities of the City since payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenditures in the period that the sick leave is taken.

k) Self Insurance

The City is a member of the Central San Joaquin Valley Risk Management Authority. The purpose of this group is to minimize the expense for liability and workmen's compensation insurance for the cities of the central San Joaquin Valley of California. The City is self-insured up to \$125,000 through the Authority and outside insurance is purchased by the Authority to extend the coverage to \$10,000,000.

l) Property Taxes

Tulare County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and March 1. Unsecured property taxes are payable in one installment on or before August 31. Property taxes are accounted for in the General Fund and Redevelopment Agency Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities.

The City is permitted by Article XIII A of the State of California constitution (Proposition 13) to levy a maximum tax of 1% of assessed value, plus other increases as approved by the voters.

m) Use of Estimates

City management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principals. Those estimates and assumptions affect the reported amounts of assets and liabilities, and reported revenue and expenditures. Actual results could vary from the estimates that management uses.

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2009

NOTE 2 – CASH AND INVESTMENT

Cash and investments

Cash and investments are reported in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 704,787
Cash and investments held by bond trustees	<u>1,118,687</u>
 Total cash and investments	 <u><u>\$ 1,823,474</u></u>

Cash and investments as of June 30, 2009, consist of the following:

Cash on hand	\$ 1,950
Deposits with fiscal institutions	125,040
Investments	<u>1,696,484</u>
 Total cash and investments	 <u><u>\$ 1,823,474</u></u>

Investments authorized by the California Government Code and the City of Lindsay's Investment Policy

The table below identifies the investment types that are authorized by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code and/or the City's investment policy that address interest rate risk, credit risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Authorized investment type</u>	<u>Maximum maturity</u>	<u>Maximum percentage of portfolio</u>	<u>Maximum investment in one issuer</u>
U.S. Treasury Securities	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	270 days	30%	30%
Certificates of deposits	5years	None	10%
Passbook deposits	N/A	None	None
Repurchase agreements	1 year	30%	None
Mutual funds	N/A	15%	None
Money Market Mutual Funds	N/A	25%	10%
Commercial paper	180 days	30%	None
Local Agency Investment Fund (LAIF)	On demand	None	None

CITY OF LINDSAY
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Disclosures relating to interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment type	Total	Remaining maturity (in months)			
		12 months or less	13 to 24 months	25 to 60 months	More than 60 months
Certificates of deposits	\$ -	\$ -	\$ -	\$ -	\$ -
State investment pool	577,797	577,797	-	-	-
Held by bond trustee:					
Money market - US Treasury	<u>1,118,687</u>	<u>1,118,687</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,696,484</u>	<u>\$ 1,696,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Investments with fair values highly sensitive to interest rate fluctuations

The City of Lindsay's investment policy does not permit investment in securities that are highly sensitive to interest rate fluctuations.

Disclosures relating to credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the City's investment policy or debt agreements, and the actual rating as of year end for each investment type.

Concentration of credit risk

The investment policy of the City contains certain limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2009

funds, and external investment pools) that represent 5% or more of total City investments are as follows:

<u>Issuer</u>	<u>Investment type</u>	<u>Reported amount</u>
None	N/A	<u>\$ -</u>

Custodial credit risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2009, the City had no deposits with financial institutions in excess of federal depository insurance limits. As of June 30, 2009, the City had no investments that were held by a broker-dealer (counterparty).

Investment in State Investment Pool

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

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Notes to Financial Statements
June 30, 2009

NOTE 3 – INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivable and payable balances at June 30, 2009 are as follows:

	Due from <u>other funds</u>	Due to <u>other funds</u>
General	\$ -	\$ 3,371,942
Special Gas Tax	-	1,604,390
Low & Moderate Income Housing	3,400,161	-
Redevelopment Agency	-	1,341,604
Community Development	1,627,009	-
Curb, Gutter & Sidewalk	116,742	-
Water	665,678	-
Sewer	1,129,104	-
Refuse	236,066	-
Animal Control	-	1,057,953
Internal Service	201,129	-
	<u>\$ 7,375,889</u>	<u>\$ 7,375,889</u>

NOTE 4 – NOTES RECEIVABLE

The following are notes receivable recorded in various funds at June 30, 2009:

	<u>Community Development</u>	<u>Curb & Gutter</u>
Individuals		
7% unsecured notes with annual principal and interest payments of \$5,002.	\$ -	\$ 12,514
Non-interest and below-market rate secured notes with deferred payments of monthly principal and interest. Collateralized by trust deeds on improved Lindsay property.	16,877,320	
	<u>\$16,877,320</u>	<u>\$ 12,514</u>

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2009

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

	June 30, 2008			June 30, 2009
	Balance	Additions	Deletions	Balance
Capital assets, not being depreciated:				
Land	\$ 172,418	\$ -	\$ -	\$ 172,418
Construction in progress	22,017,208	12,441,458	-	34,458,666
Sweetbriar Park & Plaza	1,490,844	-	-	1,490,844
Total capital assets, not being depreciated	<u>23,680,470</u>	<u>12,441,458</u>	<u>-</u>	<u>36,121,928</u>
Capital assets, being depreciated:				
Buildings	-	-	-	-
Improvements other than buildings	3,460,728	433,845	-	3,894,573
Machinery and equipment	2,598,183	109,697	-	2,707,880
Total capital assets, being depreciated	<u>6,058,911</u>	<u>543,542</u>	<u>-</u>	<u>6,602,453</u>
Less accumulated depreciation for:				
Buildings	-	-	-	-
Improvements other than buildings	(195,581)	(112,585)	-	(308,166)
Machinery and equipment	(1,569,119)	(327,088)	-	(1,896,207)
Total accumulated depreciation	<u>(1,764,700)</u>	<u>(439,673)</u>	<u>-</u>	<u>(2,204,373)</u>
Total capital assets, being depreciated, net	<u>4,294,211</u>	<u>103,869</u>	<u>-</u>	<u>4,398,080</u>
Governmental activities capital assets, net	<u>\$ 27,974,681</u>	<u>\$ 12,545,327</u>	<u>\$ -</u>	<u>\$ 40,520,008</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets, being depreciated:				
Buildings and improvements	10,423,403	-	-	10,423,403
Improvements other than buildings	1,266,058	-	-	1,266,058
Machinery and equipment	397,834	-	-	397,834
Total capital assets, not being depreciated	<u>12,087,295</u>	<u>-</u>	<u>-</u>	<u>12,087,295</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,540,805)	(258,950)	-	(1,799,755)
Improvements other than buildings	(87,287)	(31,511)	-	(118,798)
Machinery and equipment	(378,030)	(3,679)	-	(381,709)
Total accumulated depreciation	<u>(2,006,122)</u>	<u>(294,140)</u>	<u>-</u>	<u>(2,300,262)</u>
Total capital assets, being depreciated, net	<u>10,081,173</u>	<u>(294,140)</u>	<u>-</u>	<u>9,787,033</u>
Business-type activities capital assets, net	<u>10,081,173</u>	<u>(294,140)</u>	<u>-</u>	<u>9,787,033</u>

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2009

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 253,090
Public safety	186,583
Total depreciation expense - governmental activities	<u>\$ 439,673</u>
Business-type activities:	
Water operating	\$ 106,070
Sewer operating	185,720
Refuse	350
Animal control (Nonmajor)	2,000
Total depreciation expense - business-type activities	<u>\$ 294,140</u>

NOTE 6 – LONG-TERM DEBT

A. Governmental Activities
General Obligation Bonds

Improvement Bonds Assessment District No. 1 serial bonds issued January 2, 1972 in the amount of \$140,000. The bonds bear interest at 6% payable semi-annually with bonds maturing annually through July 2, 1997. The remaining balance is a bond not yet submitted for payment.

Tax Allocation Bonds Payable

The Lindsay Redevelopment Agency refunded 1994 tax allocation bonds in the amount of \$1,655,000, with the refunding issue of 2005. The bonds have principal payments each August 1 through 2035 and accrue interest at 2.25 - 5.0%, which is payable semi-annually. The bonds are payable solely from pledged tax revenues allocated and paid to the Agency from properties in the project area.

The Lindsay Redevelopment Agency issued a 2007 tax allocation bond series in the amount of \$7,880,000 on March 29, 2007. These bonds also have principal payments each August 1 through 2037 and accrue interest at 3.50% - 5.0%, which is payable semi-annually. The bonds are payable solely from pledged tax revenues allocated and paid to the Agency from properties in the project area.

The Lindsay Redevelopment Agency issued a 2008 tax allocation bond series in the amount of \$3,710,000 on April 3, 2008. These bonds also have principal payments each August 1 through 2037 and accrue interest at 5.7351%, which is payable semi-annually. The bonds are payable solely from pledged tax revenues allocated and paid to the Agency from properties in the project area.

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2009

Notes Payable

The City entered into a promissory note with United States Department of Agriculture Rural Development Agency for the Wellness Center in the amount of \$1,130,689. The total amount of the loan will be \$3,000,000 if totally drawn. The Wellness fund has annual principal and interest of \$78,416 at 4.25% through 2032.

The City entered into a promissory note with United States Department of Agriculture Rural Development Agency for the Tulare Road in the amount of \$1,599,539. The total amount of the loan will be \$1,600,000 if totally drawn. The loan has annual principal and interest of \$123,214 at 4.5% through 2029.

On October 19, 1999, the City entered into a loan agreement with the California Housing Finance Agency (CHFA) for the purpose of assisting the City in operating a local housing program. The loan is in the amount of \$500,000, bears a simple annual interest rate of 3.0%, and repayment of principal and interest is deferred for a term of 10 years from date of the note.

On March 30, 2004, the Lindsay Redevelopment Agency entered into a loan agreement with the California Housing Finance Agency (CHFA) for the purpose of assisting the Agency in operating a local housing program. The loan is in the amount of \$1,250,000, bears a simple annual interest rate of 3.0%, and repayment of principal and interest is deferred for a term of 10 years from date of the note.

On August 7, 2007, the Lindsay Redevelopment Agency entered into a loan agreement with the California Housing Finance Agency (CHFA) for the purpose of assisting the Agency in operating a local housing program. The loan is in the amount of \$3,690,000, bears a simple annual interest rate of 3.0%, and repayment of principal and interest is deferred for a term of 10 years from date of the note. As of June 30, 2008 the amount drawn down on this loan was \$1,980,000.

The Agency has entered into a Deferred Payment Loan Agreement with the City of Lindsay's Housing Program, which provided funding to purchase the Ashland Apartments. There is a 15 year restriction on the rental income conditions to make affordable rental housing available to low and very low income families. The note is due in 2035 and accrues interest at a rate of 0% per annum.

B. Business-type Activities

Notes Payable

The City refinanced with the California Statewide Communities Development Authority an existing loan, which assisted in financing construction of a project, which enables the City to meet safe drinking water standards. The loan amount of \$197,054 at 7.125% has

CITY OF LINDSAY
Notes to Financial Statements
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semi-annual principal and interest payments of \$8,377 through June 1, 2019. The loan is secured by a first pledge of a lien on all of the pledged water revenues.

The City entered into a promissory note with United States Department of Agriculture Rural Development agency for the Water Line Project for \$2,440,000. The annual principal and interest payments of \$109,874 at 3.25%, are through December 11, 2040.

The City entered into a promissory note with United States Department of Agriculture Rural Development agency for the Waste Water Treatment Plant Project for \$7,000,000. The annual principal and interest payments of \$323,470 at 3.25%, are through November 27, 2039.

The City entered into a promissory note with United States Department of Agriculture Rural Development agency for the Waste Water Project for \$480,000. The annual principal and interest payments of \$25,623 at 4.375%, are through June 28, 2043.

The annual requirements to amortize all debt outstanding as of June 30, 2009, including interest, is as follows:

Year ended June 30,	Governmental activities			Business-type	Total
	General	Tax	Notes	activites	
	Obligation	Allocation		Notes	
	Bonds	Revenue Bonds	Payable	Payable	
2010	5,000	1,029,398	851,630	475,721	2,361,749
2011	-	1,029,743	201,630	475,721	1,707,094
2012	-	1,029,401	201,630	475,721	1,706,752
2013	-	1,031,304	4,460,655	475,721	5,967,680
2014	-	1,034,187	1,730,040	475,721	3,239,948
2015-2019	-	5,158,165	1,008,150	2,378,605	8,544,920
2020-2024	-	5,155,176	1,008,150	2,301,168	8,464,494
2025-2029	-	5,162,540	997,938	2,294,835	8,455,313
2030-2034	-	5,154,970	217,935	2,294,835	7,667,740
2035-2039	-	3,095,781	377,237	2,294,835	5,767,853
2040-2044	-	-	-	550,194	550,194
	5,000	28,880,665	11,054,995	14,493,077	54,433,737
Less interest	-	13,330,665	2,508,530	5,529,997	21,369,192
	<u>\$ 5,000</u>	<u>\$ 15,550,000</u>	<u>\$ 8,546,465</u>	<u>\$ 8,963,080</u>	<u>\$ 33,064,545</u>

A schedule of changes in long-term debt for the year ended June 30, 2009 is shown below:

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Governmental activities	Adjusted Balance July 1, 2008	Additions/ Adjustments	Deductions	Balance June 30, 2009	Due within one year
Bonds payable	\$ 15,940,000	\$ -	\$ 390,000	15,550,000	390,000
Add: Bond Premiums	231,240	-	7,712	223,528	7,712
Total bonds payable	16,171,240	-	397,712	15,773,528	397,712
General Obligation Bonds	5,000	-	-	5,000	5,000
Compensated Absences	230,716	17,783	-	248,499	-
Notes Payable	377,237	-	-	377,237	-
Cal HFA Payable	3,730,000	1,710,000	-	5,440,000	500,000
USDA Payable	489,295	2,270,689	29,756	2,730,228	83,321
Interest payable	389,372	1,089,181	750,793	727,760	389,372
Governmental activity long-term liabilities	<u>\$ 21,392,860</u>	<u>\$ 5,087,653</u>	<u>\$ 1,178,261</u>	<u>\$ 25,302,252</u>	<u>\$ 1,375,405</u>
 Business-type activities					
	Adjusted Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009	Due within one year
Notes Payable	\$ 9,132,234	\$ -	\$ 169,154	\$ 8,963,080	\$ 174,460
USDA Payable	-	-	-	-	-
	<u>\$ 9,132,234</u>	<u>\$ -</u>	<u>\$ 169,154</u>	<u>\$ 8,963,080</u>	<u>\$ 174,460</u>

NOTE 7 – RETIREMENT PLANS

Plan Description

The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustment, and death benefits to plan members and beneficiaries, PERS acts as a common investment and administrative agent for participating public entities within the state of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2009

Funding Policy

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the PERS Board of Administration. The City's contributions to PERS for the fiscal year ending June 30, 2009 was \$699,845, and equal 100% of the required contributions for each year.

	<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
<u>Miscellaneous Plan</u>	6/30/2007	\$ 377,047	100%	\$ 107,672
	6/30/2008	\$ 441,088	100%	\$ -
	6/30/2009	\$ 449,131	100%	\$ 222,507
<u>Safety Plan</u>	6/30/2007	\$ 235,045	100%	\$ 63,957
	6/30/2008	\$ 227,756	100%	\$ -
	6/30/2009	\$ 250,714	100%	\$ 123,573

NOTE 8– HOUSING AND COMMUNITY DEVELOPMENT LOAN PROGRAM

The City uses Housing and Community Development block grant funds to provide housing rehabilitation loans and HOME grant funds to provide first time homebuyer assistance loans and housing rehabilitation loans to eligible applicants. Rehabilitation loans are used to improve, rehabilitate, or replace residences. All loans are made to low and moderate income persons or landlords benefiting these same persons. The City accounts for this program in the Community Development capital project fund. This fund's primary assets consist of notes receivable from participants, which originated from HUD funds. Since the Department of Housing and Urban Development has a claim to any funds remaining when the program is terminated, a fund equity reserve has been recorded for monies received not used in program management in the Community Development capital projects fund.

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2009

NOTE 9 – JOINT VENTURE – SELF-INSURANCE PROGRAM

The City participates with other public entities in a joint venture under a joint powers agreement which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA).

The relationship between the City and CSJVRMA is such that CSJVRMA is not a component unit of the City for financial reporting purposes.

The City is covered for the first \$1,000,000 of each general liability claim and \$250,000 of each workers' compensation claim through the CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under \$25,000 and workers' compensation losses under \$250,000. The CSJVRMA participates in an excess pool, which provides general liability coverage from \$1,000,000 to \$10,000,000. The CSJVRMA participates in an excess pool, which provides Workers' Compensation coverage from \$250,000 to \$500,000 and purchases excess insurance above the \$500,000 to the statutory limit.

The CSJVRMA is a consortium of fifty-five (55) cities in San Joaquin Valley, California. It was established under the provision of California Government Code Section 6500 et seq. The CSJVRMA is governed by a Board of Directors, which meets 3-4 times per year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group by the CSJVRMA. The financial position and results of operations for the CSJVRMA (in thousands), as of June 30, 2009, are presented below:

	Workers' Comp Programs	Liability Programs
Assets	\$ 31,200,802	\$ 25,072,908
Liabilities to members cities	<u>(31,391,959)</u>	<u>(19,963,960)</u>
Net Assets, reserved for insurance claims and losses	<u>\$ (191,157)</u>	<u>\$ 5,108,948</u>
Revenues	\$ 11,175,863	\$ 8,973,302
Expenses	<u>(13,740,937)</u>	<u>(10,603,017)</u>
Operating income (loss)	(2,565,074)	(1,629,715)
Non-operating revenues	1,573,927	2,122,183
Transfers	<u>494,878</u>	<u>(494,878)</u>
Change in net assets	(496,269)	(2,410)
Net assets, July 1	<u>305,112</u>	<u>5,111,358</u>
Net assets, June 30	<u>\$ (191,157)</u>	<u>\$ 5,108,948</u>

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At the termination of the joint powers agreement, after all claims have been settled, any excess or deficit will be divided among the cities in accordance with its governing documents.

The aforementioned information is not included in the accompanying financial statements. Separate financial statements of CSJVRMA may be obtained at Brickmore Risk Services, 1020 19th Street, Suite 200, Sacramento, California, 95814.

NOTE 10 – CONTINGENCIES

The City has received federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

The City of Lindsay has established a franchise fee for the Water, Sewer, and Refuse charges that is designed for street repairs, maintenance, and construction. The City will continue to collect this fee into the future. This fee will be transferred to the City's General Fund and then the General Fund will transfer the balance to the Gas Tax Fund. This is the method that will be used to bring the Gas Tax Fund into a positive position.

NOTE 11 – RELATED PARTY TRANSACTIONS

The City has entered into various loan agreements with City employees and relatives of City employees, under its First Time Homebuyer Program. The various loan types provided included: Deferred Payment Loans (DPL), Deferred No Interest Loans (DNIL), No Interest Loans (NIL) and Below Market Interest Rate Loans (BMIR). Detail of these related party transactions is provided below:

RELATED PARTY LOANS	<u>June 30, 2009</u>
Employee Loans	
Deferred Payment Loans	1,918,658
Deferred No Interest Loans	444,948
No Interest Loans	222,878
Below Market Interest Rate Loans	<u>595,280</u>
Total Employee Loans	<u>3,181,764</u>
 Loans to Employees' Relatives	
Deferred Payment Loans	336,193
Deferred No Interest Loans	<u>77,460</u>
Total Loans to Employees' Relatives	<u>413,653</u>
 Total All Related Party Loans	<u><u>3,595,417</u></u>

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Notes to Financial Statements
June 30, 2009

NOTE 12 – FUND RECLASSIFICATION

For the fiscal year ended June 30, 2008, The Wellness Center Fund was reported in the financial statements as a nonmajor governmental special revenue fund. For the fiscal year ended June 30, 2009, the fund has been combined with the general fund. To reflect this change, the original beginning fund balance of the general fund for the June 30, 2009 financial statements, has been decreased by \$269,398, from a negative \$899,637 to a negative \$1,169,035.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS

The City provides other postemployment benefits (OPEB) for its employees. Retired employees who had 15 or more years with the City are eligible to purchase the City's Medical, Dental and/or Vision plan benefits for themselves and their dependents. The City will pay 3.5 % of the retired employee portion of premium for each year of service to the City. The City does not pay anything toward dependent care coverage. Medical plan benefit coverage for retirees and eligible dependents will be effective until they reach Medicare eligible age.

The City funds its annual OPEB cost on a pay as you go basis. The actual costs for the last three fiscal years is shown below:

<u>Fiscal Year Ending</u>	<u>Actual Cost Paid</u>
06/30/07	\$13,094
06/30/08	13,754
06/30/09	14,292

The future costs for the OPEB's has been calculated as defined below:

Present value of Projected Benefits (APVPB)	\$	717,726
Accrued liability (AAL)	\$	276,037
Plan assets		
Unfunded accrued liability (UAAL)	\$	276,037

REQUIRED SUPPLEMENTAL INFORMATION

City of Lindsay
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 517,500	\$ 520,500	\$ 435,282	\$ (85,218)
Sales taxes	498,000	503,000	432,324	(70,676)
Utility users tax	774,000	777,000	915,560	138,560
Transient occupancy tax	50,000	51,000	42,734	(8,266)
Property transfer tax	9,800	9,800	7,629	(2,171)
Franchise tax	112,000	113,000	107,248	(5,752)
Business licenses	60,000	62,000	70,073	8,073
Building permits	175,000	175,000	131,140	(43,860)
Motor vehicle in-lieu tax	679,000	681,000	903,630	222,630
COPS SLESF	100,000	100,000	57,149	(42,851)
Intergovernmental	2,250,000	3,000,000	2,936,645	(63,355)
Other restricted revenues	72,500	73,500	-	(73,500)
Sale, personal property	500	500	4,800	4,300
Rebates	65,000	65,000	82,617	17,617
Other fines	5,800	5,850	5,153	(697)
Interest	2,100	2,000	8,504	6,504
Rent	16,500	17,800	19,367	1,567
Recreation	370,750	381,250	227,149	(154,101)
Street franchise	741,000	752,000	1,113,828	361,828
McDermont operational revenue	4,930,999	4,930,999	2,506,150	(2,424,849)
Other revenues	993,600	756,450	168,269	(588,181)
Total revenues	12,424,049	12,977,649	10,175,251	(2,802,398)
EXPENDITURES				
Current:				
General government	303,097	303,097	593,483	(290,386)
Public safety	2,414,617	2,484,603	2,837,982	(353,379)
Public works	300,360	307,810	473,671	(165,861)
Parks and recreation	840,130	848,745	3,447,942	(2,599,197)
Community development	5,150,000	5,150,000	-	5,150,000
McDermont operational expense	4,485,013	4,485,013	4,727,023	(242,010)
Streets & Transportation	528,862	484,059	166,502	317,557
Capital outlay	-	-	1,529,570	(1,529,570)
Total expenditures	14,022,079	14,063,327	13,776,173	287,154
Excess (deficiency) of revenues over (under) expenditures	(1,598,030)	(1,085,678)	(3,600,922)	(2,515,244)
OTHER FINANCING SOURCES (USES)				
Sale of land	-	-	1,710,000	1,710,000
Bond proceeds	-	-	671,150	671,150
Bad debt expense	-	-	(902,318)	
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	1,478,832	1,478,832
Net change in fund balance	\$ (1,598,030)	\$ (1,085,678)	(2,122,090)	\$ (1,036,412)
Fund balances -- beginning			(1,169,035)	
Fund balances -- ending			\$ (3,291,125)	

The notes to the financial statements are an integral part of this statement.

City of Lindsay
Community Development Fund
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>Positive(Negative)</u>
REVENUES				
Note collections	\$ -	\$ -	\$ 595,333	\$ 595,333
Intergovernmental	2,410,842	2,400,000	1,379,649	(1,020,351)
Interest	-	-	53,691	53,691
Other revenues	-	-	41,951	41,951
Total revenues	<u>2,410,842</u>	<u>2,400,000</u>	<u>2,070,624</u>	<u>(329,376)</u>
EXPENDITURES				
Current:				
Community development	2,659,134	2,400,000	4,473,502	(2,073,502)
Total expenditures	<u>2,659,134</u>	<u>2,400,000</u>	<u>4,473,502</u>	<u>(2,073,502)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(248,292)</u>	<u>-</u>	<u>(2,402,878)</u>	<u>(2,402,878)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (248,292)</u>	<u>\$ -</u>	<u>(2,402,878)</u>	<u>\$ (2,402,878)</u>
Fund balance - beginning			4,263,994	
Fund balance - ending			<u>\$ 1,861,116</u>	

The notes to the financial statements are an integral part of this statement.

City of Lindsay
Redevelopment Agency Capital Projects Fund
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 896,100	\$ 922,983	\$ 1,084,098	\$ 161,115
Interest	101,010	8,500	33,640	25,140
Other	-	-	2,819	2,819
Total revenues	<u>997,110</u>	<u>931,483</u>	<u>1,120,557</u>	<u>189,074</u>
EXPENDITURES				
Current:				
Wages and benefits	81,927	86,258	242,961	(156,703)
Enterprise Zone	175,767	181,345	-	181,345
Service and supply	18,650	18,650	2,612	16,038
Professional fees	65,000	71,220	62,390	8,830
Façade renovation	30,000	30,000	40,000	(10,000)
Sweet Brier	-	-	-	-
McDermont Fieldhouse	6,499,821	2,380,000	1,364,139	1,015,861
Grant matching funds	-	-	-	-
Downtown improvements	15,000	15,000	-	15,000
Business assistance	15,000	15,000	-	15,000
Housing program costs	-	-	-	-
Debt service:				
Principal	168,000	168,000	312,000	(144,000)
Interest	467,234	467,234	585,806	(118,572)
Total expenditures	<u>7,536,399</u>	<u>3,432,707</u>	<u>2,609,908</u>	<u>822,799</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,539,289)</u>	<u>(2,501,224)</u>	<u>(1,489,351)</u>	<u>1,011,873</u>
OTHER FINANCING SOURCES (USES)				
Tax bonds issued	-	3,520,000	-	3,520,000
Tax bonds discounts and issuance costs	-	(209,774)	-	209,774
Loan proceeds	-	-	1,710,000	1,710,000
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>3,310,226</u>	<u>1,710,000</u>	<u>5,439,774</u>
Net change in fund balances	<u>\$ (6,539,289)</u>	<u>\$ 809,002</u>	<u>220,649</u>	<u>\$ 6,451,647</u>
Fund balances - beginning			<u>3,417,708</u>	
Fund balance - ending			<u>\$ 3,638,357</u>	

The accompanying notes are an integral part of this financial statement.

CITY OF LINDSAY
 Required Supplemental Information
 June 30, 2009

Public Employees Retirement System
 Schedule of Funding Progress

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded Actuarial Liability As Percent of Covered Payroll
Miscellaneous Plan						
6/30/2006	1,280,157,040	1,069,546,974	210,610,066	83.5%	304,898,179	69.1%
6/30/2007	1,627,025,950	1,362,059,317	264,966,633	83.7%	376,292,121	70.4%
6/30/2008	1,823,366,479	1,529,548,799	293,817,680	83.9%	414,589,514	70.9%
Safety Plan						
6/30/2006	1,473,284,852	1,252,059,468	221,225,384	85.0%	177,088,890	124.9%
6/30/2007	1,648,159,522	1,422,143,105	226,016,417	86.3%	200,537,256	112.7%
6/30/2008	1,755,559,311	1,517,609,609	237,949,702	86.4%	210,590,567	113.0%

SUPPLEMENTAL INFORMATION

City of Lindsay
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	Special Revenue		Capital Project	Total Nonmajor Governmental Funds
	Parking	RDA Low & Moderate	Curb & Gutter	
Assets				
Cash and cash equivalents	\$ 2,525	\$ -	\$ 45,728	\$ 48,253
Accounts receivable	-	-	145	145
Interest receivable	-	93	141	234
Due from other funds	-	3,400,161	116,742	3,516,903
Notes receivable	-	-	12,514	12,514
Investment in property	-	-	-	-
Restricted cash	-	223,737	-	223,737
Total assets	\$ 2,525	\$ 3,623,991	\$ 175,270	\$ 3,801,786
Liabilities				
Accounts and other payables	\$ -	\$ 41,305	\$ 148	\$ 41,453
Due to other funds	-	-	-	-
Deferred revenue	-	15,118	12,514	27,632
Total liabilities	-	56,423	12,662	69,085
Fund balances:				
Reserved for:				
Community development	-	3,567,568	-	3,567,568
Unreserved, reported in				
Special revenue funds	2,525	-	-	2,525
Capital projects	-	-	162,608	162,608
Total fund balances	2,525	3,567,568	162,608	3,732,701
Total liabilities and fund balances	\$ 2,525	\$ 3,623,991	\$ 175,270	\$ 3,801,786

The notes to the financial statements are an integral part of this statement

City of Lindsay
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2009

	Special Revenue		Capital Project Curb & Gutter	Total Nonmajor Governmental Funds
	Parking	RDA Low & Moderate		
REVENUES				
Note collections	\$ -	\$ 1,722	\$ 5,950	\$ 7,672
Taxes	-	324,701	-	324,701
Intergovernmental	-	-	-	-
Interest revenue	-	3,288	812	4,100
Total revenues	<u>-</u>	<u>329,711</u>	<u>6,762</u>	<u>336,473</u>
EXPENDITURES				
Current:				
Community development	-	16,361	-	16,361
Debt service				
Principal	-	78,000	-	78,000
Interest and administrative charges	-	148,429	-	148,429
Capital outlay	-	-	10,301	10,301
Total expenditures	<u>-</u>	<u>242,790</u>	<u>10,301</u>	<u>253,091</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>86,921</u>	<u>(3,539)</u>	<u>83,382</u>
OTHER FINANCING SOURCES (USES)				
Tax bonds issued	-	-	-	-
Bad debts	(8,497)	-	-	(8,497)
Loan proceeds	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	<u>(8,497)</u>	<u>-</u>	<u>-</u>	<u>(8,497)</u>
Net change in fund balances	(8,497)	86,921	(3,539)	74,885
Fund balances -- beginning	<u>11,022</u>	<u>3,480,647</u>	<u>166,147</u>	<u>3,657,816</u>
Fund balances -- ending	<u>\$ 2,525</u>	<u>\$ 3,567,568</u>	<u>\$ 162,608</u>	<u>\$ 3,732,701</u>

The notes to the financial statements are an integral part of this statement.

City of Lindsay
Gas Tax
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 3,444,150	\$ 7,741,571	\$ 3,933,119	\$ (3,808,452)
Other service charges	-	-	-	-
Interest	-	-	78	78
Other revenues	-	-	393	393
Total revenues	<u>3,444,150</u>	<u>7,741,571</u>	<u>3,933,590</u>	<u>(3,807,981)</u>
EXPENDITURES				
Current:				
Streets & Transportation	<u>3,729,256</u>	<u>8,173,657</u>	<u>5,605,483</u>	<u>2,568,174</u>
Total expenditures	<u>3,729,256</u>	<u>8,173,657</u>	<u>5,605,483</u>	<u>2,568,174</u>
Excess(deficiency) of revenues over (under) expenditures	<u>(285,106)</u>	<u>(432,086)</u>	<u>(1,671,893)</u>	<u>(1,239,807)</u>
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	-	<u>1,599,539</u>	<u>1,599,539</u>
Total other financing sources (uses)	-	-	<u>1,599,539</u>	<u>1,599,539</u>
Net change in fund balances	<u>\$ (285,106)</u>	<u>\$ (432,086)</u>	<u>(72,354)</u>	<u>\$ 359,732</u>
Fund balance - beginning			<u>(437,586)</u>	
Fund balance - ending			<u>\$ (509,940)</u>	

The notes to the financial statements are an integral part of this statement.

City of Lindsay
Redevelopment Agency Low and Moderate Income Housing Fund
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
REVENUES				
Taxes	\$ 224,540	\$ 231,276	\$ 324,701	\$ 93,425
Other service charges	-	-	1,722	1,722
Interest	9,800	1,000	3,288	2,288
Other revenues	-	-	-	-
Total revenues	<u>234,340</u>	<u>232,276</u>	<u>329,711</u>	<u>97,435</u>
EXPENDITURES				
Current:				
Grant Matching Funds	-	-	-	-
Housing program costs	-	-	16,361	(16,361)
Principal & Interest	158,809	158,809	226,429	(67,620)
Total expenditures	<u>158,809</u>	<u>158,809</u>	<u>242,790</u>	<u>(83,981)</u>
Excess(deficiency) of revenues over (under) expenditures	<u>75,531</u>	<u>73,467</u>	<u>86,921</u>	<u>13,454</u>
OTHER FINANCING SOURCES (USES)				
Tax bond issued	-	-	-	-
Tax bond discounts and issuance costs	-	-	-	-
Loan proceeds	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 75,531</u>	<u>\$ 73,467</u>	<u>86,921</u>	<u>\$ 13,454</u>
Fund balance - beginning			3,480,647	
Fund balance - ending			<u>\$ 3,567,568</u>	

The notes to the financial statements are an integral part of this statement.